

ANNUAL REPORT OF THE AUDIT COMMITTEE

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Portfolio: Finance

Wards Affected: All

Purpose of the Report:

This report summarises the work of the Audit Committee during 2021/22, confirms that it has operated in accordance with its Terms of Reference, has sought to comply with best practice and has demonstrated effective challenge during its meetings.

Recommendations:

1. To recommend that Council approves the content of the Annual Report of the Audit Committee.

1 SUMMARY

- 1.1 The Terms of Reference of the Audit Committee require 'A formal Annual Report of the Committee's work and performance during the year to Council.'
- 1.2 The purpose of this report is, therefore, to summarise the work of the Audit Committee during 2021/22, confirm that it has operated in accordance with its Terms of Reference, has sought to comply with best practice and has demonstrated effective challenge during its meetings.
- 1.3 This report looks back over 2021/22 and examines the range of reports which have been brought to the attention of the Committee by Senior Management, Internal Audit and External Audit.

2 BACKGROUND

- 2.1 Broadland District Council's Audit Committee has been meeting on a regular basis since its inaugural meeting on the 23 August 2012, following approval of the Terms of Reference by Council.
- 2.2 The Committee was established to play a pivotal role in the delivery of corporate governance at the authority, improve standards of internal control, review financial information including such items as the Annual Statement of Accounts, and to allow for more specialist consideration to be given to Internal and External Audit related matters, and Risk Management provisions. This wide-ranging remit ensures that the Committee is meeting best practice.
- 2.3 This is the tenth year that an Annual Report has been produced, which sets out to analyse the work of the Audit Committee and in doing so fulfil the requirements within the Terms of Reference of the Committee and to demonstrate compliance with best practice.

3 CURRENT POSITION

- 3.1 The Committee have met on four occasions so far in 2021/22, (June 2021, July 2021, September 2021, and January 2022). A further meeting is scheduled for March 2022. A review of the minutes from meetings highlights that attendance by Members is high, with apologies provided where needed. There has also been a consistently strong level of officer support throughout the year, with regular representation from Finance, Internal Audit, the Council's External Auditors and officers attending to present reports as required.
- 3.2 After holding remote meetings throughout 2020/21, the Committee was able to resume in person meetings from June 2021 once again.
- 3.3 The Terms of Reference of the Audit Committee are established in the Constitution and emphasise how the Committee is to champion governance arrangements at the authority and follow best practice.
- 3.4 The Committee also ensures that it operates to the highest standards, and with this in mind, a self-assessment exercise is undertaken. The assessment ensures that

the Committee continues to meet best practice and identifies where improvements would be beneficial.

- 3.5 The Committee is due to carry out its annual self-assessment exercise again at the March 2022 meeting with the results of this being presented at the June 2022 meeting.
- 3.6 Finally, a rolling work programme is in place which is reviewed and discussed at each meeting, to ensure reports are considered and received by the Committee at appropriate times over the course of the year.

Overview of key items considered and reviewed

3.7 Counter Fraud Activity 2020-21

The Committee was provided with an update of the Counter Fraud activities of the Council during 2020-21 at the June 2021 meeting. The main body of work carried out over the year involved the Covid-19 Business Grants verification and carrying out post-payment checks. It was also noted that 65 referrals of potentially fraudulent claims had been reported to the Department of Work and Pensions (DWP). Additionally, fraud training had been provided across to the Benefits team and general advice provided to the Council. One internal conduct matter and two grievance investigations have been investigated and concluded.

3.8 Annual Governance Statement 2020/21

The Annual Governance Statement was considered at the June 2021 meeting where Members considered the current governance arrangements of the Council. An amendment was suggested and agreed at the time of the meeting, and the statement was approved at the meeting subject to the conclusion of the Head of Internal Audit's Annual Report and Opinion for 2020/21.

3.9 Statement of Accounts 2020/21

An update on the Statement of Accounts was presented to the Committee at its September 2021 meeting. The Committee was advised that there had been delays on the auditing of the accounts due to Covid-19 (which had been common across the country), and that the accounts would be audited in December 2021; however, due to further delays, the accounts are now due to be audited in February 2022. The Assistant Director for Finance provided the Committee with reassurance that a plan was in place for next year's audited accounts, to prevent a similar occurrence next year.

3.10 External Audit

In June 2021, the Committee considered the External Audit Plan for 2020-21, which summarised Ernst & Young's (EY's) assessment of the key risks driving the development of an effective audit for the Council. Additional audit work caused by the Covid-19 pandemic was discussed. In September 2021, a report was received

by the Committee on EY's Value for Money Risk Assessment. It was reported that EY had not identified any risks of significant weaknesses in the Council's arrangements and that this would be re-visited prior to issuing the audit opinion on the 2020/21 accounts.

3.11 Internal Audit

On an annual basis the Committee reviews and approves the Strategic and Annual Internal Audit Plan for the forthcoming year. The Committee then regularly receives updates on the progress of the completion of the plan of work and the position with the action taken by management to progress audit recommendations. Finally, at the end of the financial year, the Annual Report and Opinion of the Head of Internal Audit is considered by the Committee in terms of the conclusions made in relation to the adequacy and effectiveness of the Council's framework of governance, risk management and control.

The Audit Plan was received and approved by the Committee in June 2021. Due to delays in the previous year, caused by the Covid-19 pandemic, the Internal Audit work commenced in Q2 rather than Q1 of 2021-2022. Although there have been some delays with issuing reports, Head of Internal Audit continues to report on progress.

The Committee have also been supportive of the Head of Internal Audit in the review and encouragement for completion of the internal audit recommendations. At the meeting in July 2021, Head of Internal Audit was pleased to be able to confirm to the Committee that there were no urgent or important recommendations outstanding at the time.

3.12 Review of Contract Procedure Rules

The Committee considered the report which provided a review of Broadland's Contract Procedure Rules (CPRs) at the June 2021 meeting. The changes which were proposed in the report would bring the Council in step with neighbouring authorities. Additionally, the proposed amendments to the CPRs as a whole would make the procurement process simpler to suppliers, which in turn would encourage a larger number of suppliers to bid for local authority contracts. An amendment to the recommendation was proposed during the meeting, which resulted in the proposed changes being accepted, subject to the retention of the current contract award levels.

3.13 Strategic Risk Register

The Strategic Risk Register (SRR) was presented to the Committee at the January 2022 meeting. It was agreed that a wider review of the Risk Management Policy was needed, to bring it in line with Cabinet SRR reporting; and that there should be clear tracking going forward of risk escalation and de-escalation. It was also noted that both the Council's SRR and the accompanying Risk Management Policy were still relatively new, and require further development, resource and additional officer training.

3.14 Opting into PSAA External Auditor Appointment

A report was considered on Opting into PSAA External Auditor Appointment at the January 2022 meeting. The report set out proposals for appointing the external auditor to the Council for the accounts for five years from 2023/24 through PSAA, which had previously been done in 2018. Concerns were raised in regards to delays and issues faced with EY (current external auditor), and the Committee was assured that PSAA would take into account the issues that all Councils have faced in order to strengthen the focus on the quality and timeliness of the audits in the new contract. It was recommended to Council to accept the PSAA's invitation to opt into the sector-led option for the appointment of external auditors.

3.15 The following items will be considered at the March 2022 meeting:

- Strategic and Annual Internal Audit Plan 2022-2023
- Self-Assessment of the Audit Committee
- Internal Audit Progress and Follow Up reports
- External Audit Plan 2022-2023

4 PROPOSED ACTION

- 4.1 To note the work of the Audit Committee during 2021/22 so far and approve the contents of the Annual Report.

5 OTHER OPTIONS

- 5.1 Not applicable to this report.

6 ISSUES AND RISKS

- 6.1 **Resource Implications** –not applicable to this report.
- 6.2 **Legal Implications** – not applicable to this report.
- 6.3 **Equality Implications** – not applicable this report.
- 6.4 **Environmental Impact** – not applicable to this report.
- 6.5 **Crime and Disorder** – not applicable to this report.
- 6.6 **Risks** - not applicable to this report.

7 CONCLUSION

- 7.1 This report highlights that the Committee continues to operate in accordance with best practice. It plays an important part in the Council's governance framework, remaining an active Committee and ensuring that it delivers its remit and reviews a wide range of items, providing an appropriate level of support.

8 RECOMMENDATIONS

- 8.1 To recommend that Council approves the content of the Annual Report of the Audit Committee.